

**From:** Eric Schatzberg  
**To:** Microsoft ATR  
**Date:** 1/24/02 12:05pm  
**Subject:** Microsoft Settlement

I wish to express my strong opposition to the proposed settlement agreement to the antitrust action by the Department of Justice against the Microsoft Corporation. This agreement completely fails to prevent the strengthening of Microsoft's monopoly in software, let alone reduce it.

Microsoft's dominance of the operating system market is a perfect example of market failure resulting from path dependence effects and the economics of increasing returns, a phenomenon whose significance has been explained by the economist W. Brian Arthur. Microsoft clearly owes its market dominance to these effects, and not to the quality of its products, which are widely criticized by independent software experts.

Microsoft's interests are simply not identical with those of computer users. Users need simple, user-friendly software that does not require professional instruction and hours of frustration to master. Microsoft, in contrast, produces bloated, complicated, expensive and buggy software. Take word processing, for example. While the price/performance ratio of computer hardware has fallen by more than an order of magnitude in the past ten years, Microsoft Word has maintained its high price. I use a version of Word last updated in 1992, as well as the current version. Nine years of innovation have failed to improve usability, while adding a host of secondary features irrelevant to 90 percent of Word users. If there had been real competition in word processing software, I'm convinced that price would have decreased and usability would have increased.

The economic consequences of this market failure are tremendous. Numerous studies have documented the failure of information technologies to increase productivity in any degree close to their potential. It is very difficult to quantify the economic losses caused by bad software, but every computer user knows the wasted hours spent getting such software to work properly. The original remedy, breaking up Microsoft into separate companies, at least would add some competition back into the software industry.

Sincerely,  
--Eric Schatzberg

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